

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MCMILLAN TOWNSHIP	County ONTONAGON
Fiscal Year End 03/31/2007	Opinion Date 09/23/2007	Date Audit Report Submitted to State 09/26/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

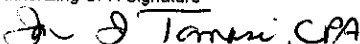
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) JON J. TOMASI, CPA		Telephone Number (906)575-3206		
Street Address 208 BIRCH STREET		City BERGLAND	State MI	Zip 49910
Authorizing CPA Signature 		Printed Name JON J TOMASI		License Number

TOWNSHIP OF McMILLAN - EWEN, MICHIGAN
ONTONAGON COUNTY
FINANCIAL REPORT
REPORT ON FINANCIAL STATEMENTS
(with additional information)
March 31, 2007

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan, as of and for the year ended March 31, 2007 which collectively comprise the McMillan Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of McMillan, Michigan's management. My responsibility is to express opinions on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

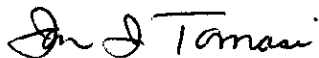
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2007, on my consideration of the Township of McMillan, Michigan's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant
Bergland, Michigan
September 23, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Year ended March 31, 2007

Management's Discussion and Analysis

The Township of McMillan's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the Township's financial activity, and identify changes in the Township's financial position including its ability to address the next and subsequent year's challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and is intended to provide the financial results for the year ending March 31, 2007. GASB 34 requires the presentations of two basic types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general fund (considered a major fund).

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Jensen Trust Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the Financial Analysis of the Township as a whole with a detailed analysis of the statement below.

Summary of Net Assets

	Governmental		Business-Type	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS				
Current Assets:	\$ 17,290	\$ 37,461	\$ 208,538	\$ 181,379
Net Capital Assets	<u>102,347</u>	<u>112,238</u>	<u>2,962,979</u>	<u>3,046,114</u>
Total Assets	<u>\$ 119,637</u>	<u>\$ 149,699</u>	<u>\$3,171,517</u>	<u>\$3,227,493</u>
LIABILITIES				
Current Liabilities	40,904	54,656	39,127	19,486
Non-Current Liabilities	<u> </u>	<u> </u>	<u>832,000</u>	<u>850,000</u>
Total Liabilities	<u>\$ 40,904</u>	<u>\$ 54,656</u>	<u>\$ 871,127</u>	<u>\$869,486</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	102,347	112,238	2,044,547	2,112,594
Restricted			75,076	71,926
Unrestricted	<u>(23,614)</u>	<u>(17,195)</u>	<u>180,767</u>	<u>173,487</u>
Total Net Assets	<u>\$ 78,733</u>	<u>\$ 95,043</u>	<u>\$2,300,390</u>	<u>\$2,358,007</u>
Total Net Assets and Liabilities	<u>\$119,637</u>	<u>\$149,699</u>	<u>\$3,171,517</u>	<u>\$3,227,493</u>

The Township's governmental net assets totaled \$78,733 at March 31, 2007 compared to \$95,043 at March 31, 2006. Total assets can be separated into three categories: investment in capital assets, net of related debt, restricted and unrestricted. Net capital assets are a combination of funds available for capital assets less accumulated depreciation. The original cost of capital assets was \$195,746 and the accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP) depreciation expense is recorded on the original cost of the asset less any estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation was \$93,399 for 2007 and \$83,509 for 2006. The remaining balance in unrestricted assets represent a deficit balance of \$23,614 for 2007 and \$17,195 for 2006. The business type net assets totaled \$2,300,390 at March 31, 2007 compared to \$2,358,007 at March 31, 2006. The original cost of capital assets was \$3,760,795 for 2007 and \$3,760,795 for 2006 and accumulated depreciation was \$872,891 for 2007 and \$786,607 for 2006. The remaining balance in unrestricted assets represents an excess balance of \$180,767 for 2007 and \$173,487 for 2006.

Results of Operations

The results of this year's operations for the Township as a whole as reported in the statement of activities. A summary of the Township-wide results of operations for year 2007 and 2006 is as follows:

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenue:				
Charges for services	23,946	7,982	134,577	140,255
Operating Grant		16,190		
Capital Grant	<u>122,000</u>			
Total Program Revenue	145,946	<u>24,172</u>	<u>134,577</u>	<u>140,255</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

	<u>Governmental</u> <u>2007</u>	<u>2006</u>	<u>Business-Type</u> <u>2007</u>	<u>2006</u>
General Revenue:				
Property taxes	74,040	73,683		
State Revenue	46,894	48,194		
Investment Earnings				
Other	<u>2,321</u>	<u>2,271</u>		
Total General Revenue	<u>123,255</u>	<u>124,148</u>		
Total Revenue	<u>\$ 269,201</u>	<u>\$ 148,320</u>	<u>\$ 134,577</u>	<u>\$ 140,255</u>
Expenses:				
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Government	47,444	46,580		
Public Safety	27,262	29,881		
Public Works	164,902	25,592		
Other	35,887	39,701		
Recreation and Culture	10,016	14,765		
Water and Sewer			<u>192,194</u>	<u>191,249</u>
Total Expenditures	<u>285,511</u>	<u>156,519</u>	<u>192,194</u>	<u>191,249</u>
Increase (Decrease) in Net Assets	(16,310)	(8,199)	(57,617)	(50,994)
Net Assets January 1	<u>95,043</u>	<u>103,242</u>	<u>2,358,007</u>	<u>2,409,001</u>
Net Assets, December 31	<u>\$ 78,733</u>	<u>\$ 95,043</u>	<u>\$2,300,390</u>	<u>\$2,358,007</u>

Governmental Fund Financial Highlights

The overall condition of the governmental funds decreased during fiscal 2007. Several factors that contributed to the situation included an increase in revenue of \$120,881, but expenditures increased by \$118,911 resulting in an increase of \$6,419 in the General Fund deficit. .

Proprietary Fund/Business-Type Activities

The overall condition of the proprietary funds has decreased in fiscal 2007. Operating revenue decreased \$7,051, and operating expenses increased by \$1,798 resulting in an operating loss of \$20,633 (up from \$11,784 for 2006)

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

General Fund Budgetary Highlights

The Township did not amend its general fund budget. Actual revenue exceeded budgeted revenue by \$38,201 and actual expenditures were less than budgeted expenditures by \$15,680. Negative budget variances were in the areas of Library Penal Fines, Public Works and Recreation and Culture.

Total Revenues

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds:

	Total Revenue		Total Revenue	
	<u>2007</u>	<u>Percentage</u>	<u>2006</u>	<u>Percentage</u>
Taxes	\$ 74,040	27.5%	\$ 73,683	49.7%
Licenses and Permits	990	.4	1,560	1.1
State Grants	173,796	64.6	53,158	35.8
Charges for Services	1,232	.4	2,000	1.3
Interest and Rent	450	.2	550	.4
Other	<u>18,693</u>	<u>6.9</u>	<u>17,369</u>	<u>11.7</u>
Total Revenue	\$ 269,201	100.0%	\$148,320	100.0%

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds.

	Total Expenditures		Total Expenditures	
	<u>2007</u>	<u>Percentage</u>	<u>2006</u>	<u>Percentage</u>
Legislative	\$ 1,950	.7%	\$ 1,950	1.2%
General Government	45,494	16.5	44,285	28.3
Public Safety	18,935	6.9	32,355	20.6
Public Works	164,500	59.7	25,190	16.1
Recreation and Culture	34,725	12.6	38,164	24.4
Other	<u>10,016</u>	<u>3.6</u>	<u>14,765</u>	<u>9.4</u>
Total Expenditures	\$275,620	100.0%	\$156,709	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Capital Assets and Debt Administration

At the end of fiscal 2007, the Township had \$102,347 invested in land and building, furniture, vehicles and equipment compared to \$112,238 at the end of 2006.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of McMillan
P.O. Box 267
Ewen, MI 49925

TOWNSHIP OF MCMILLAN

STATEMENT OF NET ASSETS

For the year ended March 31, 2007

	Primary Government Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$4,625	\$123,080	\$127,705
Investments			
Receivables (Net)	\$12,665	40,465	53,130
Due from Other Funds		44,993	44,993
Inventories			
TOTAL CURRENT ASSETS	17,290	208,538	225,828
NON-CURRENT ASSETS			
Cash Reserves		75,076	75,076
Capital Assets--Net	102,347	2,887,903	2,990,250
TOTAL NON-CURRENT ASSETS	102,347	2,962,979	3,065,326
TOTAL ASSETS	119,637	3,171,517	3,291,154
LIABILITIES			
Accounts Payable	18,374	1,844	20,218
Accrued Other Liabilities	3,465	11,356	14,821
Due to Other Funds	19,065	25,927	44,992
Deferred Revenue			
TOTAL CURRENT LIABILITIES	40,904	39,127	80,031
NON-CURRENT LIABILITIES			
Due Within One Year		18,000	18,000
Due in More Than One Year		814,000	814,000
TOTAL NON-CURRENT LIABILITIES		832,000	832,000
TOTAL LIABILITIES	40,904	871,127	912,031
NET ASSETS			
Invested in Capital Assets--Net of Related Debt	102,347	2,044,547	2,146,894
Restricted-Debt Service		75,076	75,076
Unrestricted	(23,614)	180,767	157,153
TOTAL NET ASSETS	\$78,733	\$2,300,390	\$2,379,123

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
STATEMENT OF ACTIVITIES
For the year ended March 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
General Government	\$47,444	\$4,125			(\$43,319)		(\$43,319)
Public Safety	27,262	2,703			(24,559)		(24,559)
Public Works	164,902			122,000	(42,902)		(42,902)
Health and Welfare							0
Community and Economic Development							
Recreation and Culture	35,887	17,118			(18,769)		(18,769)
Other	10,016				(10,016)		(10,016)
Total Governmental Activities	285,511	23,946		122,000	(139,565)		(139,565)
Business-Type Activities							
Water and Sewer	192,194	134,577				(57,617)	(57,617)
Total Primary Government	477,705	158,523		122,000	(139,565)	(57,617)	(197,182)
	General Revenues						
	Property Taxes				74,040		74,040
	State-Shared Revenues				46,894		46,894
	Unrestricted Investment Earnings						
	Right of Way Funds				2,321		2,321
	Total General Revenues				123,255		123,255
	Change in Net Assets				(16,310)	(57,617)	(73,927)
	Net Assets--Beginning				95,043	2,358,007	2,453,050
	Net Assets--Ending				\$78,733	\$2,300,390	\$2,379,123

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2007

	General Fund	Totals Governmental Funds
<hr/>		
ASSETS		
Cash and Equivalents	\$4,625	\$4,625
Investments		
Receivables--Net	11,830	11,830
Due from Other Funds	835	835
Receivable from Other Governments		
Inventories		
 TOTAL ASSETS	<hr/> 17,290 <hr/>	<hr/> 17,290 <hr/>
 LIABILITIES		
Accounts payable	21,839	21,839
Due to Other Funds	19,065	19,065
Payable to Other Governments		
Deferred Revenue		
 TOTAL LIABILITIES	<hr/> 40,904 <hr/>	<hr/> 40,904 <hr/>
 FUND BALANCES		
Unreserved	(23,614)	(23,614)
 TOTAL FUND BALANCE	<hr/> (23,614) <hr/>	<hr/> (23,614) <hr/>
 TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$17,290 <hr/>	<hr/> \$17,290 <hr/>

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

Total Fund Balances for Governmental Funds	(\$23,614)
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*Amounts reported for governmental activities in this statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	102,347
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$78,733</u>
---------------------------------------	-----------------

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2007

	General Fund	Totals Governmental Funds
<hr/>		
REVENUES		
Taxes	\$74,040	\$74,040
Licenses and permits	990	990
State grants	173,796	173,796
Charges for services	1,232	1,232
Interest and rentals	450	450
Other	18,693	18,693
	<hr/>	
TOTAL REVENUES	269,201	269,201
EXPENDITURES		
Legislative	1,950	1,950
General government	45,494	45,494
Public safety	18,935	18,935
Public works	164,500	164,500
Health and welfare		
Culture and recreation	34,725	34,725
Capital outlay		
Contingency		
Other	10,016	10,016
Miscellaneous		
	<hr/>	
TOTAL EXPENDITURES	275,620	275,620
	<hr/>	
EXCESS OF REVENUE (EXPENDITURES)	(6,419)	(6,419)
OTHER FINANCING SOURCES (USES)		
	<hr/>	
CHANGE IN FUND BALANCE	(6,419)	(6,419)
FUND BALANCE APRIL 1, 2006	(17,195)	(17,195)
	<hr/>	
FUND BALANCE MARCH 31, 2007	(23,614)	(23,614)
	<hr/>	

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balance-Total Governmental Funds			(\$6,419)
---	--	--	-----------

*Amounts reported for governmental activities in this statement
of net assets are different because:*

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the current period.

Capital Outlays			
Depreciation Expense	(9,891)		
Other			(9,891)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>(\$16,310)</u>
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The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 March 31, 2007

	Business-Type Activities Enterprise Funds
	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$123,080
Cash and cash equivalents-restricted	75,076
Accounts receivable, net	40,465
Due from other funds	44,993
TOTAL CURRENT ASSETS	<u>283,614</u>
Non-current Assets:	
Utility Plant in Service-Water	1,478,405
Utility Plant in Service-Sewer	2,202,848
Building and Structures	24,042
Equipment	55,500
Accumulated Depreciation	(872,892)
TOTAL NON-CURRENT ASSETS	<u>2,887,903</u>
TOTAL ASSETS	<u>3,171,517</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,844
Due to other Funds	25,927
Accrued Interest Payable	11,356
Current Portion of Noncurrent Liabilities	18,000
TOTAL CURRENT LIABILITIES	<u>57,127</u>
Non-current Liabilities:	
Bonds and Loans Payable	814,000
TOTAL NONCURRENT LIABILITIES	<u>814,000</u>
TOTAL LIABILITIES	<u>871,127</u>
NET ASSETS:	
Invested in capital assets net of related debt	2,044,547
Restricted-debt service	75,076
Unrestricted	180,767
TOTAL NET ASSETS	<u>\$2,300,390</u>

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the fiscal year ended March 31, 2007

	Business-Type Activities Enterprise Funds Water and Sewer Fund
OPERATING REVENUES	
Charges for services (net)	\$129,542
Other operating revenue	3,600
TOTAL OPERATING REVENUES	133,142
OPERATING EXPENSES	
Operating expenses	67,490
Depreciation	86,285
TOTAL OPERATING EXPENSES	153,775
OPERATING INCOME (LOSS)	(20,633)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,435
Interest Expense	(38,419)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(57,617)
NET ASSETS, APRIL 1	2,358,007
NET ASSETS, END OF YEAR	\$2,300,390

The notes to financial statements are an integral part of these statements

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPE
TOWNSHIP OF McMILLAN
Year ended March 31, 2007

Cash flows from operating activities:	
Cash received from customers	\$139,499
Cash paid to suppliers	(45,794)
Payments to employees	(20,820)
Internal Activity-Payments to Other Funds	11,004
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>83,889</u>
Cash flows from capital and related financial activities:	
Construction Grant	
Principle and Interest on Long Term Debt	(56,419)
Equipment Reimbursement	
Construcion of Utility Plant	
	<u>(56,419)</u>
Cash flows from investing activities-interest earned	1,435
NET INCREASE IN CASH	28,905
Cash at Beginning of Year	<u>169,251</u>
CASH AT END OF YEAR	<u><u>\$198,156</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Demand deposits and savings	\$123,080
Restricted Cash	75,076
Total cash and cash equivalents	<u><u>\$198,156</u></u>
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating Loss	(\$20,633)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	86,285
Changes in Assets and Liabilities	
Customer Accounts Receivable	6,357
Due from Other Funds	(7,367)
Accounts Payable	1,114
Due Other Funds	18,371
Interest Payable	(238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$83,889</u></u>

The notes to financial statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2007

ASSETS	
Cash and cash equivalents	\$17,407
<hr/>	
TOTAL ASSETS	<u>\$17,407</u>
LIABILITIES	
Due to other funds	\$835
Due to other	156
Fund Balance	<u>16,416</u>
<hr/>	
TOTAL LIABILITIES	<u>\$17,407</u>

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

The Township of McMillan operates with an elected Board of Trustees. The governing board is composed of five elected members, which include the supervisor, treasurer, and clerk. The Township provides its residents services in many areas including public safety, highways and streets, planning, zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead

as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Township of McMillan's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unity as of the preceding December 31st .

The 2006 taxable valuation of the Local Governmental Unit totaled \$11,621,215 on which ad valorem taxes levied consisted of 5.1791 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collections system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	25 years
Vehicles	8 years
Office Equipment	5 years
Computer Equipment	5 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary, fiduciary fund financial statements and the governmental funds.

Long-Term Obligations-In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. The face amount of debt issued is reported as other financing sources.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the Clerk and the Treasurer, prepares the proposed budget for presentation to the Township Board during March for the fiscal year beginning on April 1. Budget hearings are scheduled in March to obtain taxpayer comments. The Budget is adopted by the Township Board prior to April 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds
In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds

NOTES TO FINANCIAL STATEMENTS (Continued)

have been shown on a functional basis. The approved budgets of the Township of these budgetary funds were adopted to the activity level.

The Township has not complied with all the provisions of P.A. 621 of 1978.

The act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature are shown in the body of the financial statements.

NOTE 3 - WATER SUPPLY SYSTEM REVENUE BONDS

The construction and installation in 1974 of a domestic water system servicing the community of Ewen was financed by the issuance and sale of \$195,000 1974 Water Supply System Revenue bonds and by an \$85,000 grant from the Farmers Home Administration. Principal and interest are payable from the income and revenues derived from operation of the water supply system.

The unamortized cost of the original water supply system has not been recorded on the books of account because the amount is not determinable but it is believed to be nominal.

Data relevant to water fund revenue bonds at March 31, 2006, were as follows:

Date of issue - 1974
 Amount of original issue - \$195,000
 Outstanding at March 31, 2007 - \$48,000
 Interest rate - 5%
 Interest dates - January 1 and July 1
 Principal payment date - January 1
 Payments on principal during year ended March 31, 2008
 - \$8,000

Debt service charges until maturity are as follows:

Year ending <u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	8,000	2,300	\$10,300
2009-2013	<u>40,000</u>	<u>5,500</u>	<u>45,500</u>
	\$48,000	\$7,800	\$55,800

Under a revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish

NOTES TO FINANCIAL STATEMENTS (Continued)

required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2007:

	Required Reserve at March 31, 2007	Balance at March 31, 2007
Bonds and Interest		
Redemption Fund	\$11,450	\$13,901
General Purpose Account	\$10,000	\$10,194

NOTE 4 - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

In 1996 the Township began construction work on improvements to the water supply system. The improvements were financed by the issuance of Revenue Bonds totaling \$283,000 and a grant of \$846,000 from Rural Economic Development of the U.S. Department of Agriculture.

Data relative to the 1996 Water Supply System Junior Lien Revenue Bonds at March 31, 2007:

Date of Issue:	June 20, 1997
Amount of Original Issue:	Series A 253,000
	Series B <u>30,000</u>
	Total 283,000

Outstanding March 31, 2007: \$242,500

Interest Rate: 4.5%

Interest Dates: June 1 and December 1

Principal Payment Dated: December 1

Payment on principal during year ended March 31, 2008:

Series A	4,000
Series B	500

Bonds are subject to redemption prior to maturity an any interest payment date in reverse numeric order.

These bonds are self liquidation bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended	Principal		Interest	Total
March 31	Series A	Series B		
2008	4,000	500	10,912	15,412
2009	4,000	500	10,710	15,210
2010	4,000	500	10,507	15,007
2011	4,000	500	10,305	14,805
2012	4,000	500	10,103	14,603
2013	4,000	500	9,900	14,400

NOTES TO FINANCIAL STATEMENTS (Continued)

2014	5,000	500	9,697	15,197
2015	5,000	500	9,450	14,950
2016	5,000	500	9,203	14,703
2017	5,000	500	8,955	14,455
2018	5,000	1,000	8,707	14,707
2019	7,000	1,000	8,438	16,438
2020	7,000	1,000	8,077	16,077
2021	8,000	1,000	7,718	16,718
2022	8,000	1,000	7,312	16,312
2023	8,000	1,000	6,908	15,908
2024	8,000	1,000	6,502	15,502
2025	8,000	1,000	6,098	15,098
2026	8,000	1,000	5,692	14,692
2027	9,000	1,000	5,288	15,288
2028	9,000	1,000	4,837	14,837
2029	10,000	1,000	4,388	15,388
2030	10,000	1,000	3,892	14,892
2031	10,000	1,000	3,398	14,398
2032	11,000	1,000	2,902	14,902
2033	11,000	1,000	2,363	14,363
2034	12,000	1,000	1,823	14,823
2035	12,000	1,000	1,238	14,238
2036	13,000	1,500	652	15,152
Totals	218,000	24,500	195,975	438,475

Under the revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2007:

	Required Reserve March 31, 2007	Balance March 31, 2007
Junior Lien Bonds Bond and Interest Redemption Fund	\$3,853	\$3,904
Junior Lien Bonds Reserve Fund	\$16,650	\$16,650

NOTE 5 - SEWAGE DISPOSAL BONDS

On April 9, 1998 McMillan Township issued Sanitary Sewage Disposal System Revenue Bonds, Series 1998. Data relevant to the bonds is as follows:

Date of Issue: April 9, 1998
Amount of original issues: \$100,000
Outstanding March 31, 2007 \$91,000
Interest Rate: 4.75%
Interest payment dates: March 1 and September 1
Principal payment date: March 1
Payment on principal
during year ended March 31, 2008: \$1,000

NOTES TO FINANCIAL STATEMENTS (Continued)

This bond is subject to redemption prior to maturity on any interest payment date in inverse chronological order.

This is a self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,000	4,323	5,323
2009	1,000	4,275	5,275
2010	2,000	4,227	6,227
2011	1,000	4,133	5,133
2012	2,000	4,085	6,085
2013	1,000	3,990	4,990
2014	2,000	3,942	5,942
2015	2,000	3,848	5,848
2016	2,000	3,752	5,752
2017	2,000	3,658	5,658
2018	2,000	3,562	5,562
2019	2,000	3,468	5,468
2020	2,000	3,372	5,372
2021	3,000	3,278	6,278
2022	2,000	3,135	5,135
2023	3,000	3,040	6,040
2024	3,000	2,897	5,897
2025	3,000	2,755	5,755
2026	3,000	2,613	5,613
2027	3,000	2,470	5,470
2028	3,000	2,327	5,327
2029	4,000	2,185	6,185
2030	3,000	1,995	4,995
2031	4,000	1,853	5,853
2032	4,000	1,662	5,662
2033	4,000	1,473	5,473
2034	5,000	1,282	6,282
2035	4,000	1,045	5,045
2036	5,000	855	5,855
2037	5,000	618	5,618
2038	<u>8,000</u>	<u>380</u>	<u>8,380</u>
TOTALS	<u>\$91,000</u>	<u>\$ 86,498</u>	<u>\$177,498</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2007.

NOTES TO FINANCIAL STATEMENTS (Continued)

	Required Reserve <u>March 31, 2007</u>	Balance <u>March 31, 2007</u>
Interest Redemption Fund	\$ 1,331	\$1,402
Bond Reserve Fund	\$ 5,250	\$4,650

NOTE 6 - SEWAGE DISPOSAL BONDS

In 2003, the Township began work on improvements to the sewage disposal system. The improvements were financed by the issuance of Revenue Bonds totaling \$464,000 and a grant of \$1,028,000 from Rural Development of the U.S. Department of Agriculture. Data relative to the 2003 Sanitary Sewage Disposal System Junior Lien Bonds at March 31, 2007:

Date of Issue: June 25, 2003

Amount of Original Issue: Series A	\$414,000
Series B	<u>50,000</u>
Total	\$464,000

Outstanding March 31, 2007: \$450,500

Interest Rate: 4.5%

Interest Dates: June 1 and December 1

Principal Payment Date: June 1

Payment on principal during year ended March 31, 2008

Series A \$4,000

Series B \$ 500

Bonds are subject to redemption prior to maturity in reverse numeric order.

These bonds are self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year ending <u>March 31</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
	<u>Series A</u>	<u>Series B</u>		
2008	4,000	500	20,274	24,774
2009	5,000	600	20,070	25,670
2010	5,000	600	19,820	25,420
2011	5,000	600	19,566	25,166
2012	5,000	600	19,316	24,916
2013	5,000	700	19,062	24,762
2014	6,000	700	18,808	25,508
2015	6,000	700	18,506	25,206
2016	6,000	800	18,204	25,004
2017	7,000	800	17,898	25,698
2018	7,000	800	17,546	25,346

NOTES TO FINANCIAL STATEMENTS (Continued)

2019	7,000	900	17,196	25,096
2020	7,000	900	16,840	24,740
2021	8,000	1,000	16,486	25,486
2022	8,000	1,000	16,084	25,084
2023	9,000	1,000	15,680	25,680
2024	9,000	1,100	15,228	25,328
2025	9,000	1,100	14,776	24,876
2026	10,000	1,200	14,320	25,520
2027	10,000	1,200	13,816	25,016
2028	11,000	1,300	13,312	25,612
2029	11,000	1,300	12,760	25,060
2030	12,000	1,400	12,204	25,604
2031	12,000	1,500	11,602	25,102
2032	13,000	1,500	10,994	25,494
2033	13,000	1,600	10,342	24,942
2034	14,000	1,700	9,684	25,384
2035	14,000	1,700	8,978	24,678
2036	15,000	1,800	8,272	25,072
2037	16,000	1,900	7,516	25,416
2038	17,000	2,000	6,712	25,712
2039	17,000	2,100	5,856	24,956
2040	18,000	2,200	4,996	25,196
2041	19,000	2,300	4,088	25,388
2042	20,000	2,400	3,128	25,528
2043	21,000	2,500	2,120	25,620
2044	<u>21,000</u>	<u>2,500</u>	<u>1,064</u>	<u>24,564</u>
Totals	402,000	48,500	483,124	933,624

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2007.

	Required Reserve <u>March 31, 2007</u>	Balance <u>March 31, 2007</u>
Interest Redemption Fund	\$11,250	\$8,650
Bond Reserve Fund	\$22,425	\$15,725

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2007, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 835	Sewer	\$25,927
Water	44,599	Tax	835
Sewer	393	Water	
Special Revenue		General	<u>19,065</u>
	<u>\$ 45,827</u>		<u>\$ 45,827</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PUBLIC ACT 275 OF 1980 DISCLOSURE

As of March 31, 2007 the Township General Fund has a deficit of \$23,614 . The Township will be filing a deficit elimination plan with the Michigan Department of Treasury.

NOTE 9 - LEGAL NON-COMPLIANCE/VIOLATION OF FINANCE RELATED PROVISIONS

The Township has not provided for the funding of the following reserved accounts for the water and sewer funds as of March 31, 2007.

<u>Purpose</u>	<u>Required Amount</u>	<u>Actual Balance</u>
1998 Sanitary Sewer Bond Reserve Fund	\$ 5,250	\$ 4,650
2003 Sanitary Sewer Bond Reserve Account	\$11,250	\$ 8,650
Repair, Replacement and Improvement	\$22,425	\$15,725

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land				
Construction in Progress				
Subtotal				
Capital Assets Being Depreciated				
Buildings	22,844			22,844
Improvements Other Than Buildings				
Machinery & Equipment	172,903			172,903
Infrastructure				
Subtotal	195,747			195,747
Less Accumulated Depreciation for				
Buildings	(3,739)	(920)		(4,659)
Improvements Other Than Buildings				
Machinery & Equipment	(79,770)	(8,971)		(88,741)
Infrastructure				
Subtotal	(83,509)	(9,891)		(93,400)
Net Capital Assets Being Depreciated	112,238	(9,891)		102,347
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$			
Subtotal				
Capital Assets Being Depreciated				
Buildings	24,042			24,042
Improvements Other Than Buildings	70,284			70,284
Infrastructure	3,666,469			3,666,469
Subtotal	3,760,795			3,760,795

NOTES TO FINANCIAL STATEMENTS (Continued)

Less Accumulated Depreciation for			
Buildings	(4,257)	(601)	(4,858)
Improvements Other Than Buildings			
Machinery & Equipment	(29,220)	(6,673)	(35,893)
Infrastructure	(753,130)	(79,011)	(832,141)
Subtotal	<u>(786,607)</u>	<u>(86,285)</u>	<u>(872,892)</u>
Net Capital Assets Being Depreciated	<u>2,974,188</u>	<u>(86,285)</u>	<u>\$2,887,903</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	
Public Safety	\$ 8,327
Public Works	402
Economic Development	1,162
Recreation and Culture	<u> </u>
Total Governmental Activities	<u>\$ 9,891</u>
Business-Type Activities	
Water	\$41,433
Sewer	<u>44,852</u>
Total Business-Type Activities	<u>\$86,285</u>

NOTE 10 - PROPRIETARY FUND-TYPE CASH

The cash balance for enterprise funds includes \$64,882 in bond and interest redemption accounts and \$10,194 in a General Purpose account. The accounts are restricted for payment of revenue bond principle, interest and expenses.

NOTE 11 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129-91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchases and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local

NOTES TO FINANCIAL STATEMENTS (Continued)

units of government in Michigan. Michigan law prohibits security in the form of collateral , surety bonds, or other forms for deposit of public money.

McMillan Township of Ewen has designated one bank for the deposit of funds. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

	Carrying <u>Value</u>	Bank <u>Balance</u>	<u>Fund</u>
Insured - FDIC	\$151,126	\$163,220	
Uninsured - Uncollateralized	<u>69,061</u>	<u>59,287</u>	
	\$220,187	\$222,507	

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds, a Water Fund and a Sewer Fund. Segment information for the year ended March 31, 2007 was as follows:

Enterprise

	Water <u>Fund</u>	Sewer <u>Fund</u>	Fund <u>Totals</u>
Operating revenues	\$69,507	\$63,635	\$133,142
Depreciation expense	41,433	44,852	86,285
Operating income (loss)	(11,629)	(9,004)	(20,633)
Restricted donations & operating grants	-0-	-0-	-0-
Operating transfers in (out)	-0-	-0-	-0-
Tax revenues	-0-	-0-	-0-
Increase (decrease) in retained earnings	(24,017)	(33,600)	(57,617)
Current capital contributions	-0-	-0-	-0-
Land, buildings & equip: Additions			
Deletions	-0-	-0-	-0-
Net increase (decrease) In cash flows	2,028	26,879	28,905
Long term debt - payable from operating revenues (Including portion payable within one year)	290,500	541,500	832,000
Retained earnings	\$ 979,882	\$1,320,508	\$2,300,390

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$11,830	\$ 0	\$11,830
Water Fund	20,180	0	20,180
Sewer Fund	20,285	0	20,285
Net Receivables	\$52,295	\$ 0	\$52,295

NOTE 14 - PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

The Township does not cover any employees under a pension plan. No township employees are eligible for postemployment benefits other than pension benefits, and the township does not have a deferred compensation plan for any of its employees.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of losses related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - CHANGES IN LONG TERM DEBT - ALL FUNDS

Long Term Debt - All Funds	2006	2007	Change
Current Portion	\$ 18,000	\$ 18,000	
Non Current Portion	832,000	814,000	(18,000)
Total	\$850,000	\$832,000	(\$18,000)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 17 - ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR THE GOVERNMENTAL BOND & NOTE OBLIGATIONS ARE AS FOLLOWS:

<u>Year ending March 31</u>	<u>Business Type Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	18,000	37,809	55,809
2009	19,100	36,955	56,055
2010	20,100	36,054	56,154
2011	19,100	35,104	54,204
2012	20,100	34,204	54,304
2013-2017	77,200	159,173	236,373
2018-2022	92,600	141,219	233,819
2023-2027	113,600	118,083	231,683
2028-2032	139,000	90,311	229,311
2033-2037	156,200	56,141	212,341
2038-2042	110,000	25,160	135,160
2043-2046	47,000	3,184	50,184
TOTAL	\$832,000	\$773,397	\$1,605,397

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MCMILLAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2007

	General Fund Budget Amounts	
	Original	Final
REVENUES		
Taxes	\$52,000	\$52,000
Licenses and permits		
State grants	152,000	152,000
Charges for services		
Interest and rentals		
Other	27,000	27,000
TOTAL REVENUES	231,000	231,000
EXPENDITURES		
Legislative	2,100	2,100
General government	54,000	54,000
Public safety	22,500	22,500
Public works	164,000	164,000
Health and welfare		
Culture and recreation	34,500	34,500
Capital outlay		
Debt service		
Other	14,200	14,200
TOTAL EXPENDITURES	291,300	291,300
EXCESS OF REVENUES (EXPENDITURES)	(60,300)	(60,300)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(60,300)	(60,300)

TOWNSHIP OF MCMILLAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2007

	General Fund Budget Amounts	
	Original	Final
FUND BALANCE APRIL 1, 2006	(\$17,198)	(\$17,195)
FUND BALANCE MARCH 31, 2007	(\$77,495)	(\$77,495)
	=====	=====

The notes to financial statements are an integral part of these statements.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF McMILLAN
 DETAIL OF REVENUES - BUDGET AND ACTUAL
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
Taxes:			
Current Property Taxes:			
Real and Personal		\$53,960	
Commercial Forest Reserve		68	
Payment in Lieu of Tax		13,511	
		<hr/>	
		67,539	
Delinquent Property Taxes:			
Real and Personal		326	
Property Tax Administration Fees		6,175	
		<hr/>	
	\$52,000	\$74,040	\$22,040
Building Permits		990	990
State Grants:			
Revenue Sharing		46,894	
Library Aid		2,100	
Liquor Enforcement		481	
Right of Way Funds		2,321	
Other		122,000	
		<hr/>	
	152,000	173,796	21,796
Federal Grants:			
Fire Truck			
Charges for Services:			
Lewis Jensen Cemetery Trust Fund		532	
Fire Department		700	
Cemetery			
Library			
Miscellaneous			
		<hr/>	
		1,232	1,232
Library Penal Fines	24,000	14,568	(9,432)
Interest and Rents:			
Interest Earned			
Rents		450	
		<hr/>	
		\$450	\$450

TOWNSHIP OF McMILLAN
 DETAIL OF REVENUES -BUDGETAND ACTUAL (CONT.)
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues:			
Library Contributions			
Reimbursements		3,085	
Miscellaneous		1,040	
	3,000	4,125	1,125
TOTAL REVENUES	231,000	269,201	38,201
Other Financing Source - Operating Transfers in			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$231,000	\$269,201	\$38,201

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries and Fringes		\$1,950	
Supplies			
Contracted Services			
Advertising			
Insurance			
Miscellaneous			
TOTAL LEGISLATIVE	\$2,100	1,950	\$150
GENERAL GOVERNMENT			
Supervisor:			
Salary and Fringes		6,603	
Mileage		600	
Telephone			
	8,000	7,203	797
Assessor:	9,000	7,265	1,735
Clerk:			
Salary and Fringes		8,375	
Office Supplies		545	
Telephone		382	
Travel		613	
Miscellaneous		139	
Capital Outlay			
	12,000	10,054	1,946
Treasurer:			
Salary and Fringes		6,903	
Office Supplies		1,065	
Printing and Publishing		516	
Travel		600	
Contracted Services		1,534	
	11,000	10,618	382
Board of Review:	500	872	(372)

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Townhall:			
Salaries, Wages and Fringes		1,492	
Contracted Services			
Supplies		78	
Insurance			
Utilities		3,148	
Copy Machine Expense			
Miscellaneous			
Capital Outlay			
	5,500	4,718	782
Elections:	3,000	2,858	142
Attorney:			
Cemetery:			
Wages and Fringes		764	
Operating Supplies		279	
Repairs and Maintenance		661	
Insurance			
Contracted Services		169	
Miscellaneous		33	
	5,000	1,906	3,094
TOTAL GENERAL GOVERNMENT	54,000	45,494	8,506
PUBLIC SAFETY			
Fire Department:			
Salaries, Wages and Fringes		2,880	
Operating Supplies		5,401	
Telephone		618	
Utilities		3,841	
Insurance			
Travel			
Hydrant Rental		3,600	
Repairs and Maintenance		196	
Capital Outlay			
	20,000	16,536	3,464

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Building Inspector:	1,000	974	26
Liquor Law Enforcement:	1,500	1,425	75
Zoning Board:			0
TOTAL PUBLIC SAFETY	22,500	18,935	3,565
PUBLIC WORKS			
Department of Public Works:			
Wages and Fringes		6,450	
Supplies		63	
Contracted Services		1,265	
Transportation			
Insurance		4,649	
Utilities		295	
Miscellaneous		3,707	
Capital Outlay		136,299	
Total Dept of Public Works:	137,000	152,728	(15,728)
Roads and Bridges:	17,000	2,203	14,797
Garbage Removal:	2,000	1,487	513
Street Lighting:	8,000	8,082	(82)
TOTAL PUBLIC WORKS	164,000	164,500	(500)
RECREATION AND CULTURAL			
Senior Citizens Center:			
Repairs and Maintenance Supplies		2,013	
Utilities		6,281	
	9,500	8,294	1,206

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
RECREATION AND CULTURAL (CONTINUED)			
Library:			
Salaries, Wages and Fringes		13,220	
Contracted Services		2,063	
Supplies		1,346	
Books and Subscriptions		4,293	
Travel		178	
Utilities		4,367	
Capital Outlay			
Insurance			
Telephone		924	
Miscellaneous		40	
	25,000	26,431	(1,431)
TOTAL RECREATION AND CULTURAL	34,500	34,725	(225)
OTHER FUNCTIONS			
General Labor-FICA		4,145	
Insurance-Hospitalization Insurance		5,871	
Other			
TOTAL OTHER FUNCTIONS	14,200	10,016	4,184
TOTAL EXPENDITURES	\$291,300	\$275,620	\$15,680

COMBINING BALANCE SHEET - ENTERPRISE FUNDS
TOWNSHIP OF McMILLAN

	March 31, 2007			March 31, 2006		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
	ASSETS			ASSETS		
CURRENT ASSETS						
Cash:						
Demand Deposits and Savings	\$99,561	\$23,519	\$123,080	\$79,685	\$17,640	97,325
Customer Accounts Receivable:						
Current	12,749	13,176	25,925	13,502	12,998	26,500
Delinquent	7,431	7,109	14,540	9,949	9,619	19,568
Other				754		754
Due from Other Funds	44,599	394	44,993	37,232		37,232
TOTAL CURRENT ASSETS	164,340	44,198	208,538	141,122	40,257	181,379
UTILITY PLANT IN SERVICE	1,557,947	2,202,848	3,760,795	1,557,947	2,202,848	3,760,795
Less Allowance for Depreciation	491,313	381,579	872,892	449,880	336,727	786,607
	1,066,634	1,821,269	2,887,903	1,108,067	1,866,121	2,974,188
Construction in Progress						
	1,066,634	1,821,269	2,887,903	1,108,067	1,866,121	2,974,188
OTHER ASSETS						
Restricted Cash:						
Bond Reserve Account	34,455	30,427	64,882	34,233	9,427	43,660
General Purpose Account	10,194		10,194	28,266		28,266
	44,649	30,427	75,076	62,499	9,427	71,926
TOTAL ASSETS	\$1,275,623	\$1,895,894	\$3,171,517	\$1,311,688	\$1,915,805	\$3,227,493
	=====	=====	=====	=====	=====	=====
	LIABILITIES			LIABILITIES		
CURRENT LIABILITIES						
Accounts Payable	\$1,003	\$841	\$1,844	\$384	\$346	\$730
Payroll and Related Withholdings						
Interest	4,238	7,118	11,356	4,405	7,189	11,594
Due General Fund						
Due to Water Fund		25,927	25,927		7,162	7,162
Deferred Revenue						
Current Maturity/Long-Term Debt	12,500	5,500	18,000	12,500	5,500	18,000
TOTAL CURRENT LIABILITIES	17,741	39,386	57,127	17,289	20,197	37,486
LONG-TERM DEBT						
Note Payable to Bank						
Revenue Bonds Payable	290,500	541,500	832,000	303,000	547,000	850,000
	290,500	541,500	832,000	303,000	547,000	850,000
Less Amt. Classif./Current Liab.	12,500	5,500	18,000	12,500	5,500	18,000
	278,000	536,000	814,000	290,500	541,500	832,000
RETAINED EARNINGS (DEFICIT)	979,882	1,320,508	2,300,390	1,003,899	1,354,108	2,358,007
TOTAL LIABILITIES AND EQUITY	\$1,275,623	\$1,895,894	\$3,171,517	\$1,311,688	\$1,915,805	\$3,227,493
	=====	=====	=====	=====	=====	=====

COMBINING STATEMENT OF REVENUES, EXPENSES AND
ENTERPRISE
TOWNSHIP OF

	Year ended March 31, 2007		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges to Customers	\$65,907	\$63,635	\$129,542
Hydrant Rental	3,600		3,600
Other			
	69,507	63,635	133,142
Operating Expenses:			
Salaries and Wages	10,195	9,138	19,333
Employee Benefits	783	704	1,487
Supplies	2,743	736	3,479
Repairs	5,831	896	6,727
Outside Services	6,969	2,820	9,789
Utilities	4,593	5,041	9,634
Provision for Depreciation	41,433	44,852	86,285
Insurance and Bonds	6,347	6,029	12,376
Collection Fees	73	73	146
Travel	581		581
Other	1,588	2,350	3,938
	81,136	72,639	153,775
OPERATING INCOME (LOSS)	(11,629)	(9,004)	(20,633)
Other Income:			
Interest Earned	1,359	76	1,435
Equipment Reimbursement			
Construction Grant			
	1,359	76	1,435
	(10,270)	(8,928)	(19,198)
Other Deduction - Interest on Long-Term Debt	13,747	24,672	38,419
NET INCOME (LOSS)	(24,017)	(33,600)	(57,617)
Retained earnings beginning of year,	1,003,899	1,354,108	2,358,007
RETAINED EARNINGS AT YEAR END	\$979,882	\$1,320,508	\$2,300,390
	=====	=====	=====

CHANGES IN RETAINED EARNINGS
FUNDS
McMILLAN

Year ended March 31, 2006		
Water Fund	Sewer Fund	Total
\$69,353	\$67,240	\$136,593
3,600		3,600
72,953	67,240	140,193
8,087	9,455	17,542
619	723	1,342
1,959	452	2,411
6,996	4,543	11,539
6,313	3,225	9,538
2,684	5,486	8,170
41,060	44,783	85,843
6,404	6,005	12,409
67	65	132
		0
1,601	1,450	3,051
75,790	76,187	151,977
(2,837)	(8,947)	(11,784)
21	41	62
21	41	62
(2,816)	(8,906)	(11,722)
14,350	24,922	39,272
(17,166)	(33,828)	(50,994)
1,021,065	1,387,936	2,409,001
\$1,003,899	\$1,354,108	\$2,358,007
=====	=====	=====

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2007		
	Water Fund	Sewer Fund	Total
Cash Flows / Operating Activities:			
Cash Received from Customers	\$69,932	\$65,967	\$135,899
Hydrant Rental	3,600		3,600
Other Income			
Payments to suppliers	(28,273)	(17,521)	(45,794)
Payments to employees	(10,978)	(9,842)	(20,820)
Internal Activity-Payments to other funds	(7,367)	18,371	11,004
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,914	56,975	83,889
Cash Flows from Capital and Related Financing Activities:			
Construction Grant			
Proceeds from Borrowing			
Principal Paid on Revenue Bonds			
Principal Paid on Note Payable			
Principal and Interest on Long Term Debt	(26,247)	(30,172)	(56,419)
Construction on Utility Plant			
Equipment Purchase			
NET CASH FROM (USED FOR) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(26,247)	(30,172)	(56,419)
Cash Flows from Investing Activities -			
Interest Earned	1,359	76	1,435
NET INCREASE (DECREASE) IN CASH	2,026	26,879	28,905
Cash at Beginning of Year	142,184	27,067	169,251
CASH AT END OF YEAR	\$144,210	\$53,946	\$198,156
Balance Sheet Classifications of Cash and			
Cash Equivalents			
Demand Deposits and Savings	\$99,561	\$23,519	\$123,080
Restricted Assets	44,649	\$30,427	75,076
TOTAL CASH AND CASH EQUIVALENTS	\$144,210	\$53,946	\$198,156

- ENTERPRISE FUNDS
McMILLAN

Year ended March 31, 2006		
Water Fund	Sewer Fund	Total
\$68,268	\$66,310	\$134,578
3,600		3,600
(26,672)	(21,113)	(47,785)
(8,796)	(10,178)	(18,974)
(18,116)		(18,116)
18,284	35,019	53,303
(26,850)	(30,494)	(57,344)
	(8,800)	(8,800)
(6,200)		(6,200)
(33,050)	(39,294)	(72,344)
21	41	62
(14,745)	(4,234)	(18,979)
156,929	31,301	188,230
\$142,184	\$27,067	169,251
=====	=====	=====
\$79,685	\$9,427	\$89,112
62,499	17,640	80,139
\$142,184	\$27,067	\$169,251
=====	=====	=====

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2007		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(11,629)	(9,004)	(20,633)
Adjustments to Reconcile Operating Income(Loss)to Net Cash Provided by Operating Activities:			
Depreciation	41,433	44,852	86,285
Change in Assets and Liabilities			
Customer Accounts Receivable	4,025	2,332	6,357
Due from Other Funds	(7,367)		(7,367)
Accounts Payable	619	495	1,114
Payroll & Related Withholdings			
Due Other Funds/Interfund adjustment		18,371	18,371
Deferred Revenue			
Interest Payable	(167)	(71)	(238)
Decrease in Construction in Progress			
Total Adjustments	38,543	65,979	104,522
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$26,914	\$56,975	\$83,889

- ENTERPRISE FUNDS (CONTINUED)
McMILLAN

Year ended March 31, 2006		
Water Fund	Sewer Fund	Total
(2,837)	(8,947)	(11,784)
41,060	44,783	85,843
(1,085)	(930)	(2,015)
(18,116)	0	(18,116)
(571)	(446)	(1,017)
	559	559
(167)		(167)
21,121	43,966	65,087
\$18,284	\$35,019	\$53,303

TOWNSHIP OF MCMILLAN
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
March 31, 2007

	Trust Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$16,415	\$991	\$17,406
TOTAL ASSETS	\$16,415	\$991	\$17,406
	=====	=====	=====
LIABILITIES			
Due to Other Funds		\$835	\$835
Due to Others		156	156
Fund Balance	16,415		16,415
TOTAL LIABILITIES AND EQUITY	\$16,415	\$991	\$17,406
	=====	=====	=====

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS.

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of McMillan as of and for the year ended March 31, 2007, which collectively comprise the Township of McMillan's basic financial statements and have issued my report thereon dated September 23, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of McMillan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of McMillan's control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township of McMillan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of McMillan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of McMillan's financial statements that is more than inconsequential will not be prevented or detected by the Township of McMillan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of McMillan's

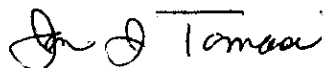
internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant
Bergland, Michigan
September 23, 2007

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, MI 49925

COMMENTS AND RECOMMENDATIONS LETTER

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

In connection with my audit of the financial statements of McMillan Township for the year ended March 31, 2007, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

General Fund Deficit

As of March 31, 2007 the Township has a General Fund budget deficit of \$23,614. It will be necessary for the Township to prepare a deficit elimination plan for the Michigan Department of Treasury showing how it plans to eliminate this deficit. The deficit was increased by \$6,419 during the 2006-2007 fiscal year.

Budgets

The current Township budget is not prepared in sufficient detail to facilitate budgetary control. The Township should prepare a more detailed budget to enhance budgetary control, monitor the budget throughout the year and amend it when necessary. This is a repeat comment from prior audits.

Reserve Accounts

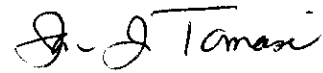
The Water and Sewer Funds are required to maintain various reserve accounts to satisfy bond indenture requirements. There are minor instances of noncompliance as detailed in the notes to the financial statements. The Township should more carefully monitor these deposit requirements to insure compliance with these bond indenture requirements. This is also a repeat comment from prior audits.

Township Accounting System

As recommended in last years comments and recommendations letter the township has made progress in establishing a general ledger system and has recorded revenue and expenditure transactions as well as some balance sheet transactions. We recommend the township continue their efforts in this area and to include all balance sheet accounts including cash accounts. Also, cash accounts should be reconciled monthly to the general ledger balances.

I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended solely for the use of management and other governmental regulatory agencies and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "J. J. Tamasi". The signature is fluid and cursive, with the first and last names being more prominent than the middle initial.

September 23, 2007

Certified Public Accountant